

Adjustments of Cost Estimates for Inflation

As part of the financial assurance requirements for closure and postclosure of sanitary landfills [Iowa Code sections 455B.304(8) and 455B.306(9)], the owner or operator is required to submit to the department a detailed written estimate in current dollars, certified by an Iowa-licensed professional engineer, of the cost of hiring a third party to close and/or conduct postclosure care for a sanitary landfill [Iowa Administrative Code 567 Chapters 103, 112, 113, 114 and 115].

During any year, if costs for the closure and postclosure line items are not recalculated using actual costs, then the cost estimates must be adjusted for inflation. **Cost estimates are adjusted for inflation by multiplying the cost estimate by the inflation factor.**

As of January 31, 2009, the most up-to-date Inflation Factor using the Gross Domestic Product equals **1.018**.

To calculate and adjust cost estimates using the most recent inflation factor use the following formula:

$$\frac{\text{Implicit price deflator from most recent quarter}}{\text{Implicit price deflator from previous year's corresponding quarter}} = \text{Inflation Factor}$$

The implicit price deflator for Gross Domestic Product is located in Table 1.1.9 at the following website:

<http://www.bea.gov/national/nipaweb/TableView.asp?SelectedTable=13&Freq=Qtr&FirstYear=2006&LastYear=2008>

$$\frac{2008 \text{ 4}^{\text{th}} \text{ quarter implicit price deflator}}{2007 \text{ 4}^{\text{th}} \text{ quarter implicit price deflator}} = \text{Inflation Factor}$$

$$\frac{122.976}{120.743} = 1.018$$

Source of the implicit price deflator for Gross Domestic Product:

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